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Power Integrations, Inc.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

Kimberly Quaco, Derivatively on Behalf of
Nominal Defendant POWER
INTEGRATIONS, INC.,

Plaintiff,

v.

Balu Balakrishnan, et al.

Defendants,

Power Integrations, Inc.,

Nominal Defendant.

Case No. C-06-2811-MHP

**STIPULATION AND ~~[PROPOSED]~~ ORDER
STAYING POWER INTEGRATIONS'
MOTION TO DISMISS TO ALLOW THE
PARTIES TO FILE A MOTION FOR
PRELIMINARY APPROVAL OF
SETTLEMENT**

Pursuant to Northern District Civil Local Rule 6-2, Nominal Defendant Power Integrations, Inc. ("Power Integrations") and Representative Plaintiffs Geoffrey Wren, Kimberly Quaco, and Christopher DeBoskey ("Plaintiffs"), by and through their respective counsel of record, hereby stipulate and agree to extend the stay of Power Integrations' Motion to Dismiss to allow the parties to execute a written settlement agreement and file a Motion for Preliminary Approval of Settlement by one week. Previously, the parties agreed that if they had not submitted a Motion for Preliminary Approval of Settlement by January 25, 2008, Power Integrations would have two weeks from that date to file its Motion to Dismiss and would meet and confer with plaintiff's counsel and submit a further stipulation regarding the briefing schedule and new

1 hearing date for such hearing. In addition, to the settlement between the plaintiffs, the Company,
2 and the Individual Defendants, the Company and the Individual Defendants needed to reach an
3 agreement with the insurers regarding the reimbursement of defense costs and other matters. This
4 agreement took longer than expected. The Company, the Individual Defendants and the insurers
5 have now reached an agreement which will be circulated for final approval. However, the parties
6 anticipate that all the Individual Defendants will not be able to sign the agreement and the
7 Company's Board will not be able to approve the agreement in time for the parties to file their
8 Motion for Preliminary Approval of Settlement by January 25, 2008. Accordingly, the parties
9 need additional time to *execute* the agreement with the insurers and to file a Motion for
10 Preliminary Approval of Settlement and have agreed to extend the stay by one week, such that if
11 the parties have not submitted a Motion for Preliminary Approval of Settlement by February 1,
12 2008, Power Integrations will have two weeks from such date to file its Motion to Dismiss. The
13 parties anticipate that this will be the last extension necessary. This stipulation is based on the
14 following facts:

15 **Whereas**, representative plaintiff Kimberly Quaco initiated this shareholder derivative
16 case on behalf of Nominal Defendant Power Integrations on or about April 25, 2006;

17 **Whereas**, on May 10, 2006, the parties stipulated that plaintiff would file the amended
18 complaint on or before May 26, 2006 and that defendants would respond to such amended
19 complaint on or before June 26, 2006;

20 **Whereas**, representative plaintiff Kimberly Quaco filed an amended complaint on
21 May 26, 2006. At the time of filing, counsel for Power Integrations no longer represented all
22 individual defendants. As a result, service was not completed on all defendants at the same time.
23 By stipulation dated June 22, 2006 (and approved by the Court), the parties agreed to an effective
24 service date and agreed that defendants would respond to the Quaco amended complaint on or
25 before September 12, 2006;

26 **Whereas**, on August 1, 2006, after the parties had set the service and response dates by
27 stipulation, Kathryn Champlin initiated a shareholder derivative action on behalf of Nominal
28 Defendant Power Integrations based upon allegations that were virtually identical to those alleged

1 in the Quaco case. Champlin also moved to be appointed lead plaintiff in the case;

2 **Whereas**, on September 5, 2006, the Court granted Power Integrations' motion to extend
3 the time to respond to the Quaco amended complaint until after the motion to consolidate and
4 appoint lead plaintiff was resolved;

5 **Whereas**, on December 18, 2006, the Court appointed Geoffrey Wren as lead plaintiff
6 and the law firm of Schiffrin Barroway Topaz & Kessler, LLP as lead counsel and ordered
7 plaintiff to file a consolidated complaint no later than January 17, 2007;

8 **Whereas**, on February 9, 2007, April 10, 2007, and May 31, 2007, pursuant to
9 stipulations by the parties, the Court extended Power Integrations' time to respond to the
10 Consolidated Complaint and stayed all other activities to allow the parties to engage in informal
11 discovery and to discuss a potential resolution of this matter;

12 **Whereas**, on August 3, 2007, pursuant to a stipulation by the parties, plaintiffs filed an
13 Amended Consolidated Complaint;

14 **Whereas**, on September 11, 2007, and October 11, 2007 pursuant to stipulations by the
15 parties, the Court extended Power Integrations' time to respond to the Amended Consolidated
16 Complaint and stayed all other activities to allow the parties to continue to discuss a potential
17 resolution of this matter;

18 **Whereas**, on October 4, 2007, the parties participated in a productive mediation with the
19 Honorable Eugene Lynch (Ret.);

20 **Whereas**, since the mediation, the parties have been engaged and continue to engage in
21 negotiations with the goal of presenting a final written settlement agreement to the Court for
22 preliminary approval on or before November 30, 2007;

23 **Whereas**, pursuant to stipulations filed on November 30, 2007, December 14, 2007,
24 December 28, 2007, January 11, 2008 and January 18, 2008, the Court has extended the stay to
25 allow the parties to finalize and present a final written settlement agreement to the Court for
26 preliminary approval;

27 **Whereas**, the parties are working diligently and have now circulated what is believed to
28 be a final agreement for review and approval by all parties;

Whereas, the Company and the Individual Defendants needed to reach an agreement with the insurers regarding the reimbursement of defense costs and other matters and this agreement took longer than expected to be finalized;

Whereas, the Company, the Individual Defendants and the insurers have now reached an agreement that will be circulated for final approval;

Whereas, the parties anticipate that this will be the last extension necessary;

Whereas, the only scheduled events in this case are the briefing and hearing dates on nominal defendant Power Integrations' motion to dismiss the case for failure of plaintiff to comply with the shareholder demand requirement. No other scheduled dates will be affected by this stipulation.

Now, therefore, it is hereby stipulated, by and between the undersigned, as follows:

1. Power Integrations response date and the corresponding briefing schedule to the Amended Consolidated Complaint are stayed;

2. If the parties do not file a Motion for Preliminary Approval of Settlement by February 1, 2008, Power Integrations' response to the Amended Consolidated Complaint will be due within two weeks of such date. If such filing becomes necessary, counsel for Power Integrations will meet and confer with counsel for the plaintiffs and select a mutually agreeable date for the remaining briefing schedule and hearing and submit a stipulation with such dates for approval.

Dated: January 25, 2008

BORNSTEIN & BORNSTEIN

By: /s/ Jonathan Bornstein
Jonathan Bornstein

Liaison Counsel for Lead Plaintiffs

1 Dated: January 25, 2008

COOLEY GODWARD KRONISH LLP

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4 By: /s/ Jeffrey S. Karr
Jeffrey S. Karr

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6 Attorneys for Nominal Defendant
Power Integrations, Inc.

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10 **ORDER**

11 PURSUANT TO THE STIPULATION BY THE PARTIES, IT IS SO ORDERED.

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13 NO FURTHER CONTINUANCES.

14 Dated: January 29, 2008

15 The Honorable
16 United States



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18 **FILER'S ATTESTATION**

19 Pursuant to General Order No. 45, Section X, Subparagraph D, I, the undersigned attests that
20 all parties have concurred in the filing of this Stipulation and [Proposed] Order.

21
22 Dated: January 25, 2008

COOLEY GODWARD KRONISH LLP

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25 By: /s/ Jeffrey M. Kaban
Jeffrey M. Kaban